

RESULT UPDATE

KEY DATA

Rating	HOLD
Sector relative	Neutral
Price (INR)	5,740
12 month price target (INR)	5,428
52 Week High/Low	6,019/3,779
Market cap (INR bn/USD bn)	2,219/25.3
Free float (%)	25.1
Avg. daily value traded (INR mn)	8,621.3

SHAREHOLDING PATTERN

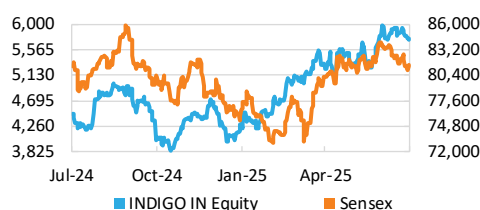
	Jun-25	Mar-25	Dec-24
Promoter	49.27%	49.27%	49.29%
FII	25.11%	24.83%	25.39%
DII	20.73%	21.2%	20.66%
Pledge	0%	0%	0%

FINANCIALS

(INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Revenue	689,043	808,029	836,201	923,525
EBITDA	175,448	210,686	232,750	270,493
Adjusted profit	81,726	72,584	88,186	125,277
Diluted EPS (INR)	212.5	188.7	229.3	325.7
EPS growth (%)	nm	(11.2)	21.5	42.1
RoAE (%)	(384.6)	127.7	65.0	52.7
P/E (x)	27.0	30.4	25.0	17.6
EV/EBITDA (x)	13.4	12.0	10.4	8.5
Dividend yield (%)	0	0.2	0.2	0.2

PRICE PERFORMANCE



Weak demand affects Q1; Q2 steady

IndiGo's Q1FY26 EBITDAR at INR57bn (-1% YoY) missed our/consensus estimate by 11%/5% on lower yield (-5% YoY) and higher CASK.

Highlights: i) Q1 yield at INR5 fell 5% YoY on turbulent demand due to geopolitical tensions, although PAX rose 12% YoY and RPKM 13% YoY. ii) Operating CASK dipped 8% YoY primarily due to a drop in fuel CASK by 22% YoY following a 15% reduction in ATF prices. iii) Management expects mid-high single digit % growth in ASKM with flattish PRASK during Q2FY26. iv) IndiGo is looking at scaling up wide-body long-haul direct flights—we think a risky foray. v) FY26E ASKM growth guidance maintained with an expectation of flat CASK ex-fuel ex-forex YoY. Retain 'HOLD' on lofty valuations and near-term industry weakness.

EBITDAR miss at 11% on lower yields (-4%), higher CASK (+2%)

IndiGo's Q1FY26 EBITDAR missed consensus estimate by 5% and ours by 11% on 4% lower yields (-5% YoY) amid turbulent demand in the wake of geopolitical tensions and 2% higher operating CASK. PAX carried rose to 31mn (+12% YoY), RPKM expanded 13% YoY and ASKM rose 16% YoY (in-line with guidance), whereas PLF dipped by 220bp YoY. Operating CASK fell 8% YoY on 22% lower fuel CASK (versus 15% YoY fall in ATF prices) aided by renewed contracts, redelivery of older fuel inefficient aircraft on damp lease and positive operating leverage.

Q2FY26 outlook steady; wide-body long-haul flights to expand

IndiGo expects YoY capacity expansion by mid-to-high single digits % in Q2 as it tapers its operations, in line with a seasonally weak Q2 for travel, while expecting PRASK to remain broadly flat YoY. Management has maintained full-year guidance of early double-digit capacity growth, and retains the flexibility to scale up operations contingent on market dynamics while expecting CASK ex-fuel ex-forex to remain flat YoY in FY26E. The company plans to scale up its wide-body low-cost long-haul operations by increasing existing flights and adding more destinations as it inducts the remaining four-five B787 leased from Norse Atlantic by the end of this fiscal. Low-cost long-haul operations have yielded mixed results globally; watch out given relatively high competition vis-à-vis India's domestic market—a duopoly.

Outlook and valuation: Near-term pain, valuation lofty; 'HOLD'

The near-term outlook looks challenging as growth in capacity outpaces demand, hurting yields. Current valuations are unsupportive, but positive factors make the risk-reward balanced. We fine-tune our estimates to factor in Q2 guidance and the impending drop in lease rentals as the AoG situation improves, yielding a 4% rise in TP to INR5,428; retain 'HOLD'.

Financials

Year to March	Q1FY26	Q1FY25	% Change	Q4FY25	% Change
Net Revenue	204,963	195,707	4.7	221,519	(7.5)
EBITDA	57,190	57,833	(1.1)	69,535	(17.8)
Adjusted Profit	21,759	27,288	(20.3)	30,675	(29.1)
Diluted EPS (INR)	56.4	70.7	(20.3)	79.5	(29.1)

Financial Statements

Income Statement (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Total operating income	689,043	808,029	836,201	923,525
Gross profit	449,998	546,056	599,658	673,811
Employee costs	63,261	74,725	83,151	87,309
Other expenses	211,289	260,645	283,757	316,010
EBITDA	175,448	210,686	232,750	270,493
Depreciation	64,257	86,802	104,190	108,420
Less: Interest expense	41,694	50,800	56,687	58,989
Add: Other income	21,749	32,953	39,251	43,176
Profit before tax	80,493	75,934	93,837	133,014
Prov for tax	(1,233)	3,350	5,651	7,737
Less: Other adj	0	0	0	0
Reported profit	81,726	72,584	88,186	125,277
Less: Excp.item (net)	(1)	0	0	0
Adjusted profit	81,726	72,584	88,186	125,277
Diluted shares o/s	385	385	385	385
Adjusted diluted EPS	212.5	188.7	229.3	325.7
DPS (INR)	0	10.0	11.5	13.0
Tax rate (%)	0	4.4	6.0	5.8

Important Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
Average fleet size(No)	366.0	434.0	495.0	575.0
Avg. flying hours (Hrs)	0	0	0	0
CASK (INR/ km)	3.7	3.8	3.4	3.4
EBITDA margin (%)	25.5	26.1	27.8	29.3
Net profit margin (%)	11.9	9.0	10.5	13.6
Revenue growth (% YoY)	26.6	17.3	3.5	10.4
EBITDA growth (% YoY)	140.0	20.1	10.5	16.2
Adj. profit growth (%)	nm	(11.2)	21.5	42.1

Assumptions (%)

Year to March	FY24A	FY25A	FY26E	FY27E
GDP (YoY %)	6.7	7.2	7.0	6.8
Repo rate (%)	6.5	6.0	5.0	4.5
USD/INR (average)	82.8	84.4	86.5	85.0
RPKM growth (%)	27.5	13.1	8.6	12.3
PLF (%)	85.9	86.0	83.8	86.1
Lease rent/Aircraft (USDmn)	0.4	1.2	0.6	0.4
Pax growth (%)	43.4	11.2	7.3	6.2
Yield (INR/km)	5.1	5.1	5.0	5.0

Valuation Metrics

Year to March	FY24A	FY25A	FY26E	FY27E
Diluted P/E (x)	27.0	30.4	25.0	17.6
Price/BV (x)	110.6	23.6	12.4	7.4
EV/EBITDA (x)	13.4	12.0	10.4	8.5
Dividend yield (%)	0	0.2	0.2	0.2

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Share capital	3,860	3,864	3,864	3,864
Reserves	16,105	89,818	173,595	293,861
Shareholders funds	19,965	93,682	177,459	297,725
Minority interest	0	0	0	0
Borrowings	397,552	564,683	510,015	564,228
Trade payables	31,576	41,756	42,183	45,649
Other liabs & prov	164,843	203,134	203,138	203,138
Total liabilities	706,996	1,055,020	1,084,560	1,262,505
Net block	361,052	517,518	607,943	655,214
Intangible assets	483	299	299	299
Capital WIP	1	7	7	7
Total fixed assets	361,536	517,824	608,249	655,520
Non current inv	62,724	88,139	78,139	68,139
Cash/cash equivalent	322,917	437,377	402,031	556,493
Sundry debtors	6,425	7,397	7,655	8,454
Loans & advances	17,282	35,867	25,867	15,867
Other assets	16,099	30,582	24,786	20,198
Total assets	706,996	1,055,020	1,084,560	1,262,505

Free Cash Flow (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Reported profit	81,726	72,584	88,186	125,277
Add: Depreciation	10,752	30,103	17,287	13,246
Interest (net of tax)	(1,242)	4	4	0
Others	168,004	176,858	156,270	165,495
Less: Changes in WC	47,277	51,156	25,965	27,254
Operating cash flow	211,962	228,393	235,782	276,764
Less: Capex	(149,001)	(243,090)	(194,614)	(155,692)
Free cash flow	62,961	(14,697)	41,167	121,073

Key Ratios

Year to March	FY24A	FY25A	FY26E	FY27E
RoE (%)	(384.6)	127.7	65.0	52.7
RoCE (%)	20.4	15.8	15.0	16.6
Inventory days	3	3	3	3
Receivable days	3	3	3	3
Payable days	17	17	18	17
Working cap (% sales)	(24.0)	(26.1)	(28.3)	(28.6)
Gross debt/equity (x)	19.9	6.0	2.9	1.9
Net debt/equity (x)	3.3	1.2	0.5	0
Interest coverage (x)	2.4	1.8	2.0	2.5

Valuation Drivers

Year to March	FY24A	FY25A	FY26E	FY27E
EPS growth (%)	nm	(11.2)	21.5	42.1
RoE (%)	(384.6)	127.7	65.0	52.7
EBITDA growth (%)	140.0	20.1	10.5	16.2
Payout ratio (%)	0	5.3	5.0	4.0

Q1FY26 management call takeaways

Capacity growth guidance maintained; PRASK to remain similar YoY

IndiGo has maintained its overall early double-digit % capacity growth guidance for FY26, reflecting confidence in its fleet expansion plans and demand recovery trajectory. For Q2, the company anticipates capacity growth in the mid-to-high single-digit range. PRASK for Q2 is expected to remain similar YoY. The company expects FY26E CASK ex-fuel ex-forex to remain in line with FY25 levels. Management is hopeful of narrow industry capacity growth in Q2, which is better for yields/PRASK.

Q1FY26 operations impacted by geopolitical events

IndiGo's operations were strong as the quarter began, but were later affected by geopolitical headwinds. The April second half saw cancellations in the wake of the Pahalgam attack with Srinagar route getting impacted, and Pakistani airspace restrictions resulting in flights to a couple of destinations such as Tashkent getting cancelled. June was impacted by the AI171 accident and conflict in the Middle East, creating external headwinds and spreading travel caution among passengers.

PAX growth at 12% above industry average in Q1

IndiGo's PAX grew 12% YoY above the industry average of 6% YoY. However, PRASK declined by 7% YoY to INR4.2, indicating some pressure on unit revenues. While yields stood at INR5, the company's PLF stood at 85%. IndiGo benefited from a drop in fuel CASK, aided by lower oil prices, renegotiation of fuel contracts and the redelivery of older, less efficient aircraft. All of which contributed to improved cost efficiency.

Global expansion – Enhanced connectivity to Europe

IndiGo continues to deepen its global footprint. It has launched new direct flights to Amsterdam and Manchester, significantly enhancing its connectivity to Europe. Additionally, the Stretch service has been extended to key regional international destinations such as Singapore, Dubai, Bangkok and Phuket, catering to the rising demand for short- and medium-haul international travel.

Increasing global footprint with fleet expansion and new routes

To support long-haul operations, IndiGo has signed an MoU with Airbus for the acquisition of A350 aircraft. This is with regards to conversion of 30 purchase rights into firm obligations for which deliveries are set to begin in 2032. Original order deliveries for initial purchase obligations remain on track to commence from 2027. Additionally, in collaboration with Norse Atlantic, the airline has secured six wide-bodied aircraft under a damp lease arrangement. One aircraft is already operational on the Mumbai-Amsterdam-Manchester route with increased frequency scheduled from September. The remaining five aircraft are expected to be inducted in FY26 with further expansion into London and Copenhagen planned for coming months.

Expanding domestic network: Capitalising on India's growing middle class

On the domestic front, IndiGo is expanding its network with the addition of key destinations such as Ghaziabad, Udhampur and Jalandhar. As part of its infrastructure development efforts, the airline has signed an MoU with Bengaluru Airport to expand its MRO capabilities. Capitalising on the rising aspirations of India's growing middle-class population by curating next-generation travel experiences, IndiGo has rolled out a loyalty program in collaboration with Kotak Mahindra Bank.

Gradually transitioning to ownership model

IndiGo is transitioning to an ownership model by increasingly adopting finance leases. Along with enabling in-house MRO operations, it will reduce dependency on third-party vendors. On the leasing front, aircraft rental costs are beginning to stabilise as narrow-body older damp lease contracts are being phased out due to easing AoG situation currently being in 40s with 16 damp leased aircraft redelivered during the quarter. These are expected to be partially offset as leased wide-bodies are inducted into its fleet to cater to its long-haul international operations.

Exhibit 1: EBITDAR of INR57bn missed our/consensus estimate by 11%/5% on lower-than-expected yields, higher CASK

	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	Nuvama estimates	vs. estimates	Consensus	vs. consensus
Revenue	204,963	195,707	5%	221,519	-7%	210,244	-2.5	208,861	-1.9
EBITDAR	57,190	57,833	-1%	69,535	-18%	64,344	-11.1	59,930	-4.6
PAT	21,759	27,288	-20%	30,675	-29%	27,735	-21.5	22,624	-3.8
PAX growth (%)	12%	6%		20%					
PLF (%)	84.5%	86.7%	-3%	87.4%	-3%	85%	-0.4		
Yield (INR/km)	5.0	5.2	-5%	5.3	-6%	5.2	-4.0		
RPKM (mn)	35,700	31,475	13%	36,800	-3%	35,919	-0.6		

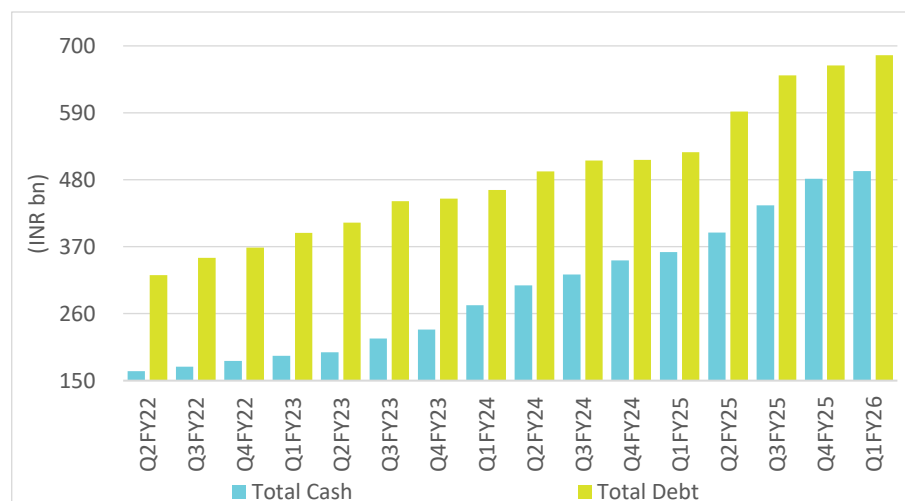
Source: Company, Bloomberg, Nuvama Research

Exhibit 2: Yields, PLF slip on weak demand; fuel CASK falls 22% YoY

	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
ASKM (bn)	42.3	36.3	16.4	42.1	0.4
RPK (bn)	35.7	31.5	13.4	36.8	(3.0)
Load factor (%)	84.5	86.7	(2.2)	87.4	(2.9)
Yield (INR)	4.98	5.24	(4.9)	5.32	(6.3)
RASK (INR)	4.85	5.39	(10.0)	5.26	(7.8)
CASK (INR)	3.50	3.80	(7.9)	4.73	(26.1)
Fuel CASK (INR)	1.38	1.77	(21.9)	1.60	(13.9)
CASK ex-fuel (INR)	2.12	2.03	4.3	3.13	(32.4)
Fuel price (INR/ltr)	86.0	100.8	(14.6)	93.7	(8.1)

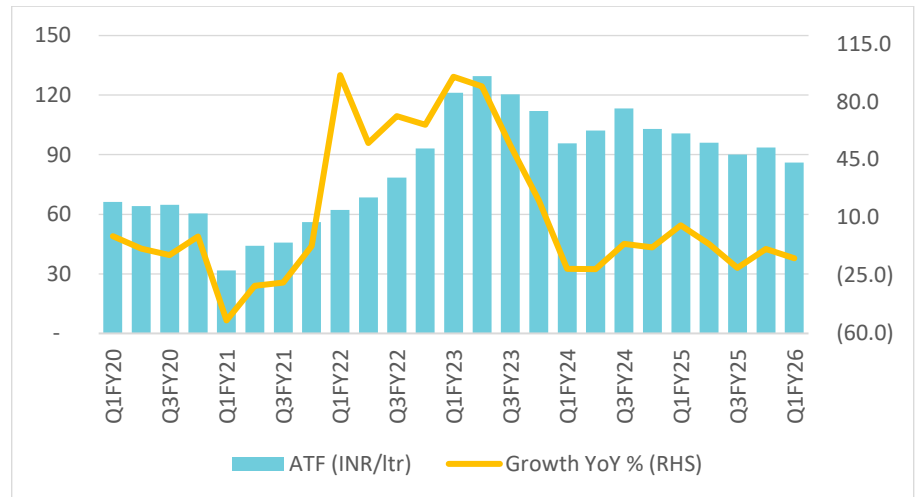
Source: Company, Nuvama Research

Exhibit 3: Net debt rises 16% YoY/2% QoQ to INR191bn



Source: Company, Nuvama Research

Exhibit 4: ATF price down 15% YoY in Q1FY26 on lower crude prices



Source: Company, Nuvama Research

Exhibit 5: Our SotP yields TP of INR5,428/share

	FY27E	Multiple (X)	Total Value	Per Share
EBITDAR	2,70,493	8.0	21,74,765	5,654
Net debt			7,735	20
Aircraft lease rentals	13,246	6.0	78,949	205
Equity value (INR mn)			20,88,081	5,428
CMP			21,43,934	5,740
Upside (%)				-5%

Source: Company, Nuvama Research

Exhibit 6: Quarterly comparison with peers

	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	YoY (%)
PAX (Mn)														
Indigo	10.3	18.5	22.3	23.4	26.2	26.3	27.6	26.6	27.8	27.8	31.1	31.9	31.0	11.5
Spicejet	3.6	2.8	3.2	3.1	2.5	2.0	2.8	2.6	2.1	1.3	1.6	1.8	NA	NA
Yield (INR/km)														
Indigo	5.2	5.1	5.4	4.9	5.2	4.4	5.5	5.2	5.2	4.5	5.4	5.3	5.0	(4.9)
Spicejet	5.4	4.9	5.4	5.1	7.0	5.4	4.9	5.0	5.9	5.2	5.7	6.4	NA	NA
PLF (%)														
Indigo	79.6	79.1	85.1	84.2	88.7	83.2	85.8	86.2	86.7	82.7	86.9	87.4	84.5	(2.5)
Spicejet	84.9	84.0	88.7	89.9	90.9	87.0	88.0	91.6	90.5	80.7	84.0	85.8	NA	NA
RASK (INR/km)														
Indigo	4.7	4.5	5.2	4.7	5.1	4.2	5.3	5.1	5.4	4.4	5.4	5.3	4.9	(10.0)
Spicejet	5.0	4.6	5.0	4.7	6.4	4.7	4.5	4.8	5.6	4.3	4.9	5.7	NA	NA
Fuel CASK (INR/km)														
Indigo	2.2	2.3	2.0	1.8	1.6	1.7	1.9	1.7	1.8	1.7	1.6	1.6	1.4	(21.9)
Spicejet	3.4	3.5	3.5	2.2	2.2	2.1	2.1	2.1	2.2	2.0	1.9	1.9	NA	NA
CASK ex fuel (INR/km)														
Indigo	2.9	2.9	2.8	2.6	2.7	2.7	2.8	3.1	3.0	3.2	3.4	3.1	3.2	4.4
Spicejet	3.3	3.1	1.3	2.1	2.9	3.8	2.4	2.7	2.5	3.4	3.1	-1.9	NA	NA
RASK-CASK (INR/km)														
Indigo	(0.4)	(0.6)	0.4	0.2	0.8	(0.1)	0.7	0.3	0.6	(0.4)	0.4	0.5	0.3	(48.9)
Spicejet	(1.7)	(2.0)	0.1	0.4	1.2	(1.2)	(0.0)	(0.0)	0.9	(1.1)	(0.1)	5.7	NA	NA

Source: Company, Nuvama Research

Exhibit 7: Annual comparison with peers

	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY25-27E CAGR (%)
PAX (Mn)									
Indigo	75.0	27.8	49.8	74.4	106.7	118.6	127.2	135.2	6.8
Spicejet	24.8	7.8	9.2	12.7	9.9	6.8	7.7	8.6	12.0
Yield (INR/km)									
Indigo	3.8	3.7	4.3	5.1	5.1	5.1	5.0	5.0	(1.9)
Spicejet	3.8	3.6	4.5	5.2	5.5	5.8	6.1	6.0	2.1
RPKM growth (%)									
Indigo	18.5	-61.7	63.6	81.6	27.5	13.1	8.6	12.3	
Spicejet	36.9	-67.5	13.1	53.6	-20.9	-29.5	14.4	13.1	
PLF (%)									
Indigo	85.8	69.4	73.5	82.1	85.9	86.0	83.8	86.1	
Spicejet	89.6	76.8	79.2	86.9	89.3	85.7	87.5	90.0	
RASK (INR/km)									
Indigo	3.7	3.3	3.8	4.8	4.9	5.1	4.8	4.8	(3.1)
Spicejet	3.9	4.3	5.0	4.9	5.0	5.1	5.6	5.9	7.0
Fuel CASK (INR/km)									
Indigo	1.3	0.8	1.4	2.1	1.7	1.7	1.3	1.3	(11.5)
Spicejet	1.5	1.3	2.3	2.6	2.1	2.0	1.7	1.7	(8.6)
CASK ex fuel (INR/km)									
Indigo	3.4	5.2	4.7	2.8	2.8	3.2	3.1	3.0	(2.4)
Spicejet	2.5	5.0	4.2	3.1	3.8	4.6	4.1	3.6	(11.8)

Source: Company, Nuvama Research

Exhibit 8: Quarterly financial snapshot (INR mn)

Year to March	Q1FY26	Q1FY25	YoY	Q4FY25	QoQ	FY25	FY26E	FY27E
Total operating income	2,04,963	1,95,707	4.7	2,21,519	(7.5)	8,08,029	8,36,201	9,23,525
Aircraft Fuel Expenses	58,326	64,165	(9.1)	67,530	(13.6)	2,61,973	2,36,543	2,49,714
Employee Expenses	20,499	17,572	16.7	19,472	5.3	74,725	83,151	87,309
Other Expenses	68,948	56,137	22.8	64,982	6.1	2,60,645	2,83,757	3,16,010
EBITDAR	57,190	57,833	(1.1)	69,535	(17.8)	2,10,686	2,32,750	2,70,493
Aircraft Lease Rentals	4,925	6,241	(21.1)	8,641	(43.0)	30,103	17,287	13,246
Depreciation	25,660	18,758	36.8	24,914	3.0	86,802	1,04,190	1,08,420
EBIT	26,605	32,834	(19.0)	35,980	(26.1)	93,781	1,11,273	1,48,826
Interest Expense	13,961	11,576	20.6	13,742	1.6	50,800	56,687	58,989
Other income	10,463	6,782	54.3	9,456	10.6	32,953	39,251	43,176
Adjustments	0	0	NA	0	NA	0	0	0
Profit before tax	23,107	28,040	(17.6)	31,694	(27.1)	75,934	93,837	1,33,014
Provision for Tax	1,348	752	79.3	1,019	32.3	3,350	5,651	7,737
Reported Profit	21,759	27,288	(20.3)	30,675	(29.1)	72,584	88,186	1,25,277
Adjusted PAT	21,759	27,288	(20.3)	30,675	(29.1)	72,584	88,186	1,25,277
No of shares	386	386	-	386	-	386	386	0
Diluted EPS (INR)	56.4	70.7	(20.3)	79.5	(29.1)	188.7	229.3	325.7
Diluted P/E (x)						30.4	25.0	17.6
EV/EBITDAR (x)						12.0	10.4	8.5
as % of total operating income								
Aircraft fuel expenses	28.5	32.8		30.5		32.4	28.3	27.0
Employee expenses	10.0	9.0		8.8		9.2	9.9	9.5
Other operating expenses	33.6	28.7		29.3		32.3	33.9	34.2
EBITDAR	27.9	29.6		31.4		26.1	27.8	29.3
Aircraft lease rentals	2.4	3.2		3.9		3.7	2.1	1.4
Depreciation	12.5	9.6		11.2		10.7	12.5	11.7
Interest expenses	6.8	5.9		6.2		6.3	6.8	6.4
PAT	10.6	13.9		13.8		9.0	10.5	13.6

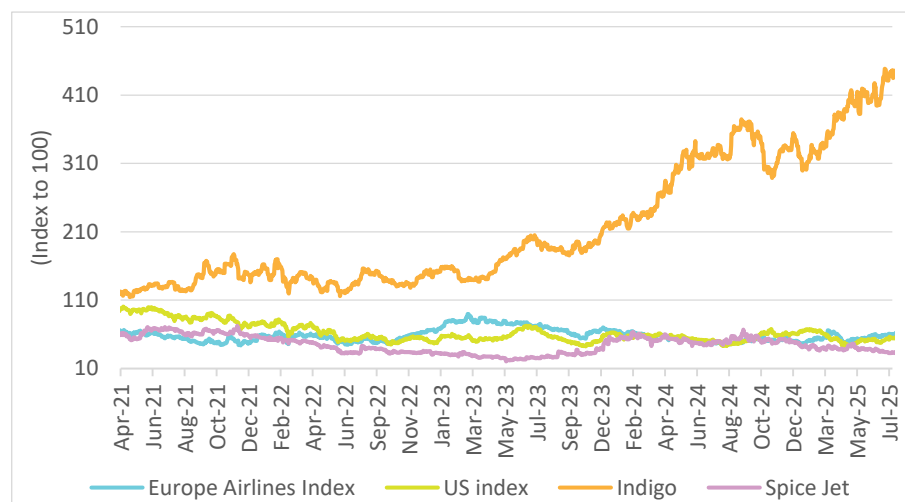
Source: Company, Nuvama Research

Downgrade follows excessive valuations

Valuations at a 1.2–2x times global peers

Since Jan-22, IndiGo's stock price has rallied ~185%, resulting in valuations trading at a hefty premium to global LCCs and other aviation peers. Furthermore, IndiGo's stock price has been the best performing by a major airline in the world since January 2019. Currently, on FY27E EV/EBITDAR, IndiGo is trading at a premium of 74%/114%/77% to its major US/European/APAC peers.

Exhibit 9: IndiGo outperforms European, US airline indices in last 12M



Source: Bloomberg, Nuvama Research

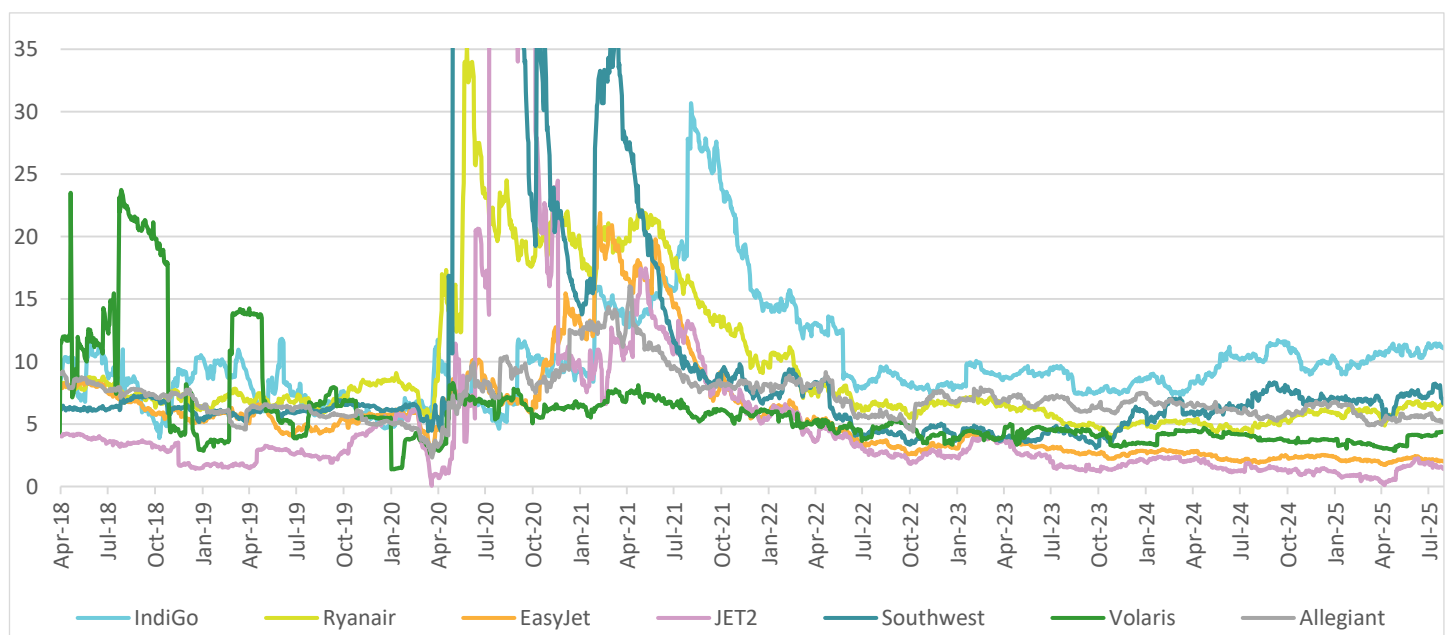
Exhibit 10: Global valuation comps

Company	Mcap	EV	EBITDAR (LC mn)			EV/EBITDAR (x)			ROE (%)		
	(USD mn)	(LC mn)	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
India Aviation											
Indigo	25,376	24,49,357	2,09,257	2,41,730	2,61,277	11.7	10.1	9.4	NM	NM	NM
Spicejet	548	86,118	17,353	19,265	23,450	5.0	4.5	3.7	NM	NM	NM
India Aviation-Mean						8.3	7.3	6.5			
US Aviation											
Delta Airlines	35,586	53,535	9,098	8,771	9,803	5.9	6.1	5.5	32.5	21.3	21.6
American Airlines	7,535	36,163	6,297	5,037	6,441	5.7	7.2	5.6	-11.8	-8.4	-99.9
South West Airlines	16,333	17,835	2,223	2,383	3,483	8.0	7.5	5.1	4.9	7.2	13.8
US Aviation-Mean						6.6	6.9	5.4	8.5	6.7	-21.5
Europe Aviation											
Ryanair	31,497	25,286	2,839	3,621	4,014	8.9	7.0	6.3	21.1	27.9	26.6
Lufthansa	10,490	14,385	4,583	5,013	5,568	3.1	2.9	2.6	10.5	10.4	12.1
Europe Aviation-Mean						6.0	4.9	4.4	15.8	19.2	19.3
APAC Aviation											
Singapore Airlines	16,200	25,441	4,356	3,981	4,169	5.8	6.4	6.1	14.7	7.5	7.4
Air China	16,423	3,22,502	28,941	35,278	47,543	11.1	9.1	6.8	0.5	8.4	16.7
Cathay Pacific Airways Ltd	9,614	1,33,418	27,518	28,232	28,050	4.8	4.7	4.8	14.1	15.4	15.3
Japan Airlines Co Ltd	8,638	14,40,082	3,19,778	3,66,542	3,83,932	4.5	3.9	3.8	10.9	11.6	10.2
APAC Aviation-Mean						6.6	6.0	5.3	10.1	10.7	12.4
Global Aviation-Mean						6.9	6.3	5.4	11.5	12.2	3.4

Source: Company, Nuvama Research

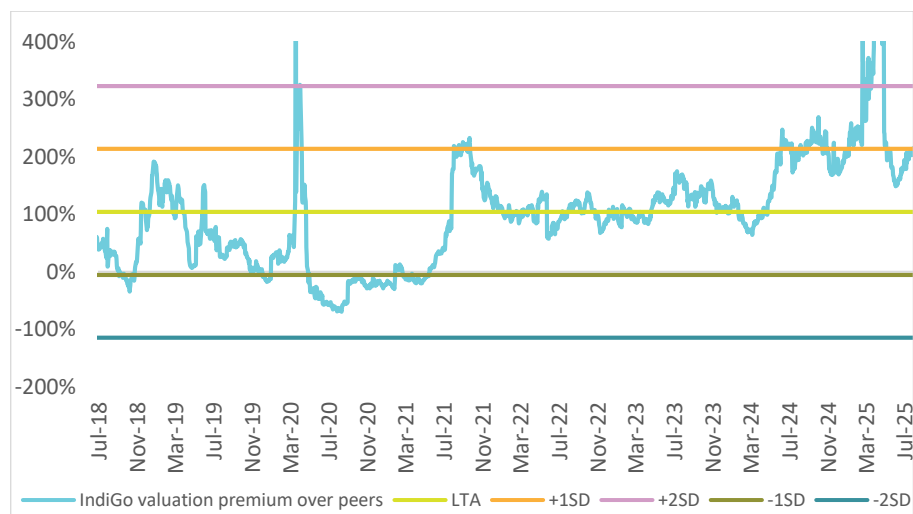
When comparing IndiGo's valuations versus other global LCCs, multiples are the highest amongst peers at ~2x of peer average. This makes current valuation premium at ~1SD above its long-term average, measured on a 1Y blended forward EV/EBITDA basis.

Exhibit 11: IndiGo trades at premium to LCCs globally (1Y BF EV/EBITDA) with premium expanding post-recent stock price rally



Source: Bloomberg, Nuvama Research

Exhibit 12: Valuation premium to global LCCs: ~1SD above LTA on 1Y BF EV/EBITDA

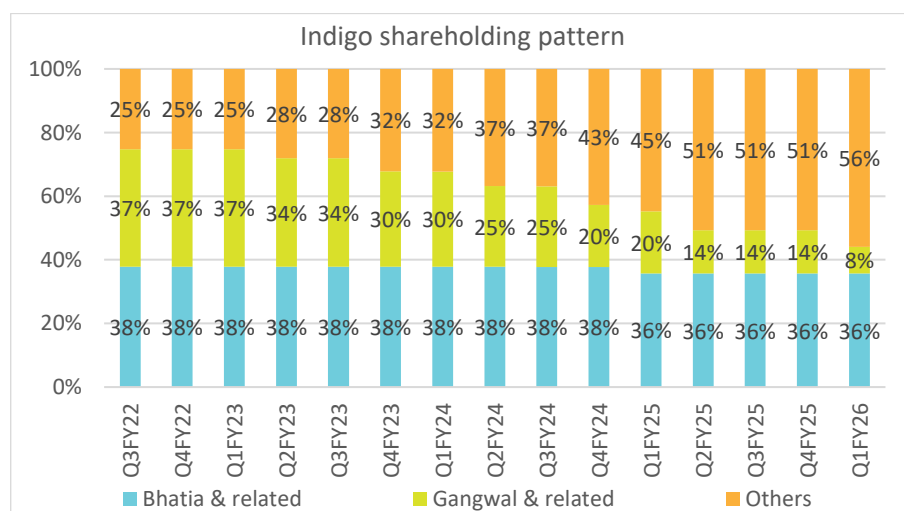


Source: Bloomberg, Nuvama Research

Continued promoter stake sales an overhang on the stock

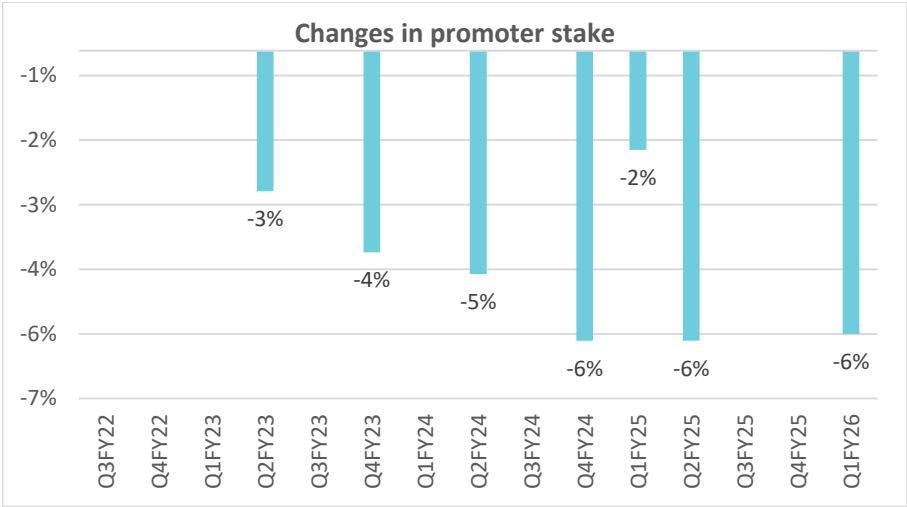
In the wake of a disagreement among promoters, one of the major promoters has been continuously trimming stake in the company—with the final objective of exiting the company. At Q3FY22, the exiting promoter's stake stood at 36.6%, which has reduced to 8%. We observe the exiting promoter has been paring stake every six months or so since the Sep-22 quarter. As a surprise to the market, the other promoter sold a 2% stake in Q1FY25 (first time since the company's listing), which raised speculation of both promoters exiting the company. However, a clarification from the other promoter alleviated those concerns given the intended objective of the sale being primarily to fund other business ventures of the promoter group.

Exhibit 13: Promoter stake has been continuously falling in recent quarters



Source: Company, Nuvama Research

Exhibit 14: Exiting promoter has been selling stakes every six months or so



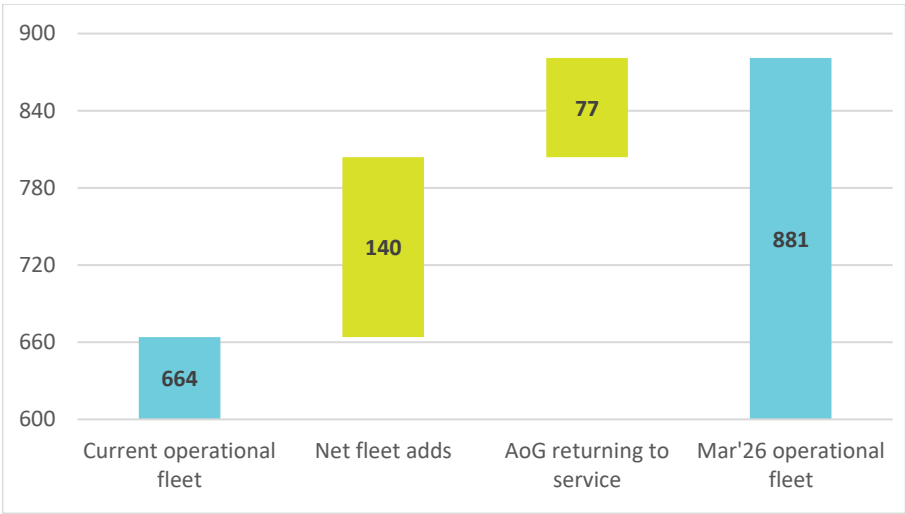
Source: Company, Nuvama Research

Industry outlook: Headwinds

Capacity growth > demand = Falling PRASK

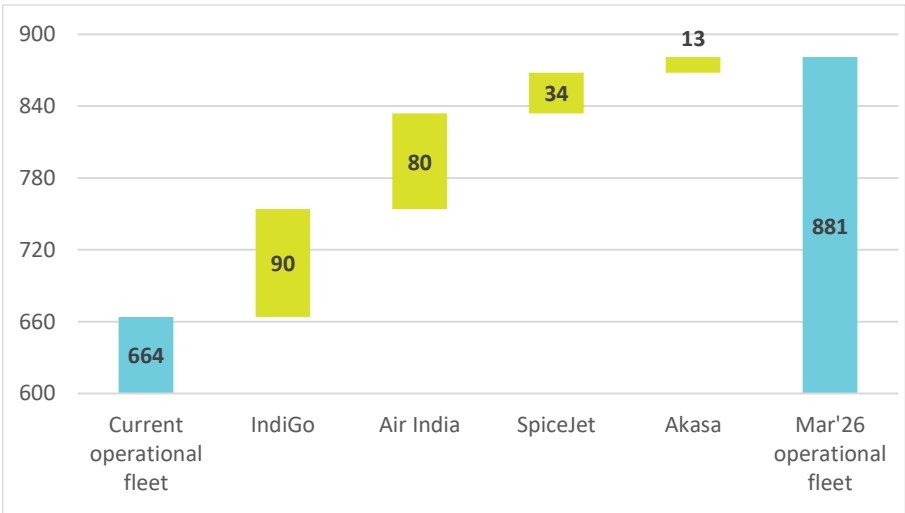
According to our analysis, the airline industry in India is adding capacity at breakneck speed, which is likely to outpace passenger growth, leading to a fall in PRASK. We estimate operational fleet shall rise by ~217 aircraft by Mar-26 with net fleet-adds amounting to ~140 with AoG returning to service numbering about 77. According to our forecasts, IndiGo and Air India are likely to add to majority of operational fleet, followed by the recently recapitalised SpiceJet and Akasa Air.

Exhibit 15: Operational fleet expected to rise by ~217 aircraft by Mar-26



Source: CAPA, Nuvama Research

Exhibit 16: IndiGo and Air India expected to lead fleet-adds by Mar-26



Source: CAPA, Nuvama Research

Exhibit 17: We expect operational fleet to rise to ~933 aircraft by Mar-26

Particulars	IndiGo	Air India Group	SpiceJet	Akasa	Industry
Current fleet	410	302	56	25	793
Less: Current AoG	68	27	34	0	129
Operational fleet	342	275	22	25	664
Net adds by Mar'25	15	17	0	1	33
Add: AoG returning to service	20	-2	14	0	32
Operational fleet by Mar'25	377	290	36	26	729
Add: Net adds by Mar'26	40	55	0	12	107
Add: AoG returning to service	15	10	20	0	45
Operational fleet by Mar'26	432	355	56	38	881
Total fleet by Mar'26	465	374	56	38	933

Source: Company, CAPA, Nuvama Research

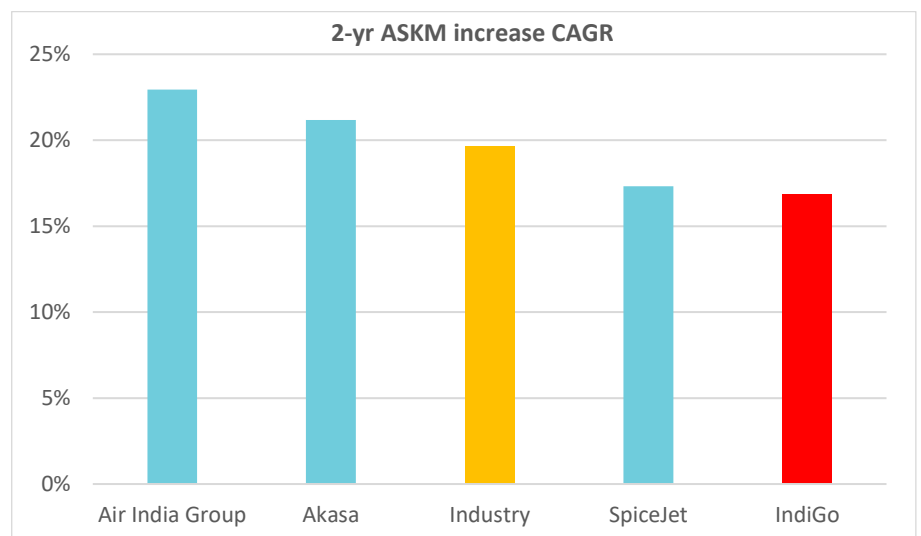
Based on new aircraft inducted and AoG returning to service, we estimate FY26E industry ASKM at ~401bn, rising at a CAGR of 20% over FY24. Among major airlines in India, we reckon Air India would grow the fastest based on its estimated fleet-adds and operational measures followed by Akasa, SpiceJet and, lastly, IndiGo. As a result, IndiGo might cede market share to competition as its capacity-adds are likely to be slower than the competition and the industry as a whole.

Exhibit 18: Based on our fleet addition estimates, we reckon industry ASKM CAGR at 20%

Particulars	IndiGo	Air India Group	SpiceJet	Akasa	Industry
Avg. FY26 operational fleet (A)	404	323	46	32	805
Avg. annual departures/aircraft (Last 9 quarters) (B)	2,525	1,588	2,106	1,836	2,014
Avg. ASKM ('000)/departures (Last 9 quarters) (C)	187	350	200	188	231
Estimated ASKMs in FY26 (bn) (A*B*C/10^6)	191	180	19	11	401
ASKMs in FY24 (bn)	139	119	14	8	279
2-yr CAGR (%)	17%	23%	17%	21%	20%

Source: Nuvama Research

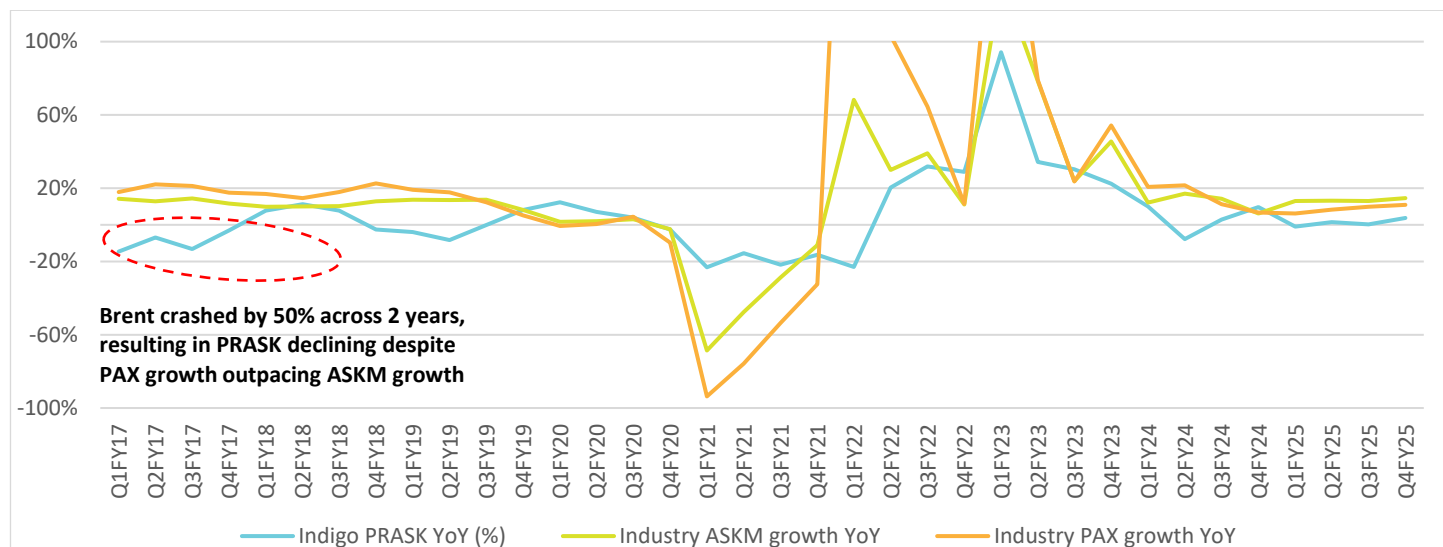
Exhibit 19: IndiGo's capacity growth to be slowest in industry



Source: Nuvama Research

According to our observation, PRASK growth is muted and even decreases in periods where ASKM growth outpaces passenger growth. Based on our analysis above, we expect ASKM CAGR at 20% over FY24–26E, above CAPA estimate for passenger growth and implied growth as per real GDP multiplier. Consequently, PRASK growth is expected to be muted/negative.

Exhibit 20: PRASK growth muted/negative when capacity growth outpaces passenger growth



Source: Company, DGCA, Nuvama Research

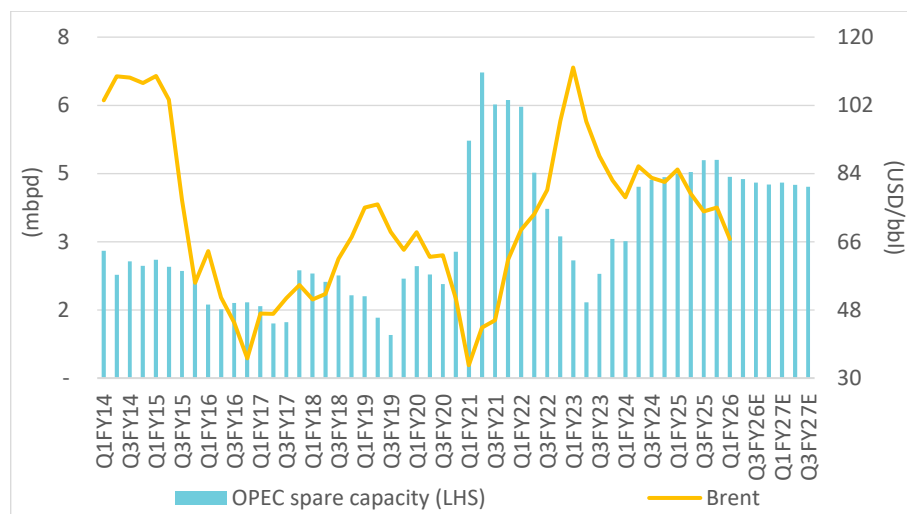
Shift to hybrid model from LCC fraught with risks

IndiGo is set to receive wide-bodied Airbus A350s in 2027 to expand its international operations. Furthermore, the company is also launching business class options on 12 metro routes by the end of 2025. This signals a shift away from the tried and trusted LCC model and more towards a hybrid model with a focus on better service on certain routes offered by the airline. Historically, we have seen full-service carriers such as Jet Airways and Kingfisher go bust, not to mention Air India suffering continuous losses. Partial business model shift to wide-bodied aircraft and full service increases risk of profit erosion from the LCC model.

Bearish crude outlook portends lower ATF prices

Crude outlook turned bearish over the last few weeks on concerns of: i) slowdown in global crude demand; ii) increased probability of Saudi Arabia to cease balancing the market by cutting output and focusing on regaining lost market share; iii) increased production from non-OPEC countries; and iv) elevated OPEC spare capacity. Lower global crude demand is attributable to fuel substitution and economic slowdown in China. Although Brent prices have risen past USD80/bbl, they are not likely to sustain above that level due to the above factors.

Exhibit 21: OPEC spare capacity and Brent prices

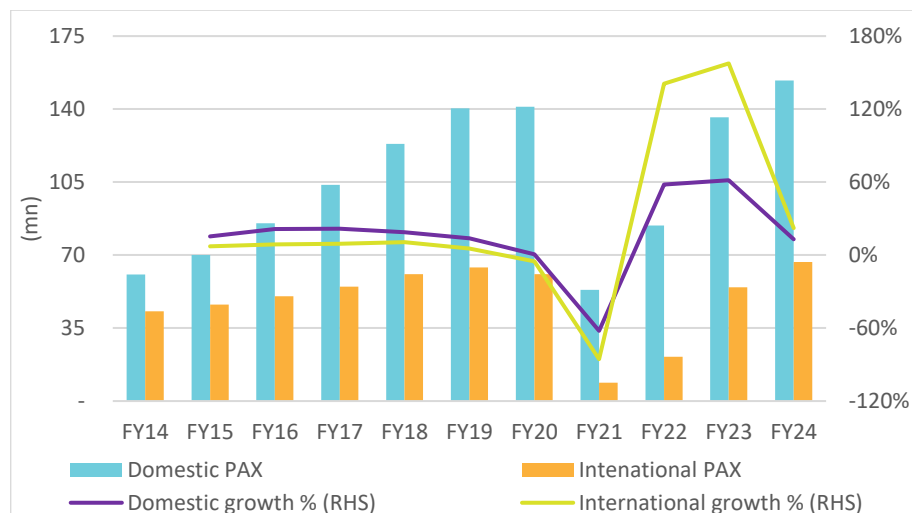


Source: US EIA, Bloomberg, Nuvama Research

International segment to provide downside support

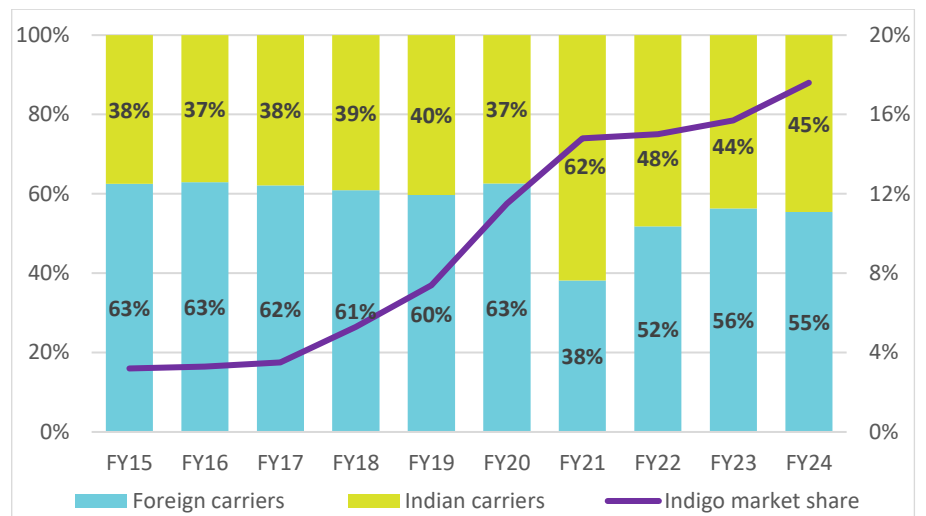
IndiGo has been focusing on international in recent years by increasing its destinations and introducing new routes due to its relatively better yields than the domestic market and faster recent growth in passengers. The company is set to receive wide-bodied aircraft and increase its fleet in the medium term to improve its operations on international routes. Indian carriers have the ability to offer lower fares than foreign carriers on account of a lower-cost structure. As a result, Indian carriers have been gaining market share in recent years.

Exhibit 22: International segment growth has recently outpaced domestic market



Source: DGCA, Nuvama Research

Exhibit 23: Indian carriers, IndiGo: Consistent MS uptick in recent years (ex-covid)



Source: DGCA, Nuvama Research

Company Description

IndiGo, operated by Interglobe Aviation Limited, having commenced operations in August 2006 with a single aircraft, has grown its fleet over the years and is now the leader in the domestic airline industry with a market share of ~50% (FY22).

Investment Theme

We believe risk-reward is balanced on:

- (i) Premium valuations vs. global peers and other LCCs (low-cost carriers)
- (ii) Industry PRASK (Passenger Revenue per Available Seat Kilometre) are likely to deteriorate on capacity adds outpacing passenger growth
- (iii) IndiGo likely to add capacity at a slower rate than the competition, resulting in market share losses
- (iv) Actual passenger growth lagging growth implied by historical real GDP multiplier
- (v) Continued promoter stake sales acting as an overhang on the stock.

However, we believe downside is likely to be limited on –

- (i) Bearish outlook for crude oil likely to keep ATF (Aviation Turbine Fuel) prices in check
- (ii) IndiGo's focus on margin accretive international segment is likely to support earnings
- (iii) As per CAPA, short-term operational issues at aircraft and engine OEMs are likely to slow down fleet & capacity additions in the near-term.

Key Risks

Uncertainty and unpredictability of the policy/regulatory framework continues to be a concern. Adverse taxation structure will drive up the cost of doing business hurting profitability.

Economic slowdown can pressure demand for corporate/leisure travel, which in turn would impact load factors and hence profitability given the high operating leverage structure of the airline business.

Existing airports at the Indian metros such as Mumbai, Chennai and Kolkata running at peak capacity could prove to be bottlenecks for growth.

Rising competition from the likes of Air India and higher oil prices.

Additional Data

Management

Chairman	Dr. Venkataramani Sumantran
Managing Director	Mr. Rahul Bhatia
Non-executive Director	Mr. Meleveetil Damodaran
Non-executive Director	Mr. Gregg Albert Saretsky
Auditor	M/s S.R. Batliboi & Co. LLP

Holdings – Top 10*

	% Holding		% Holding
InterGlobe Ente	35.71	Westbridge Aif	2.75
Chinkerpoo Fami	8.23	SBI Funds Manag	2.07
Rakesh Gangwal	5.30	Vanguard Group	1.95
Republic of Sin	3.58	BlackRock Inc	1.72
ICICI Prudentia	3.31	HDFC Asset Mana	1.53

*Latest public data

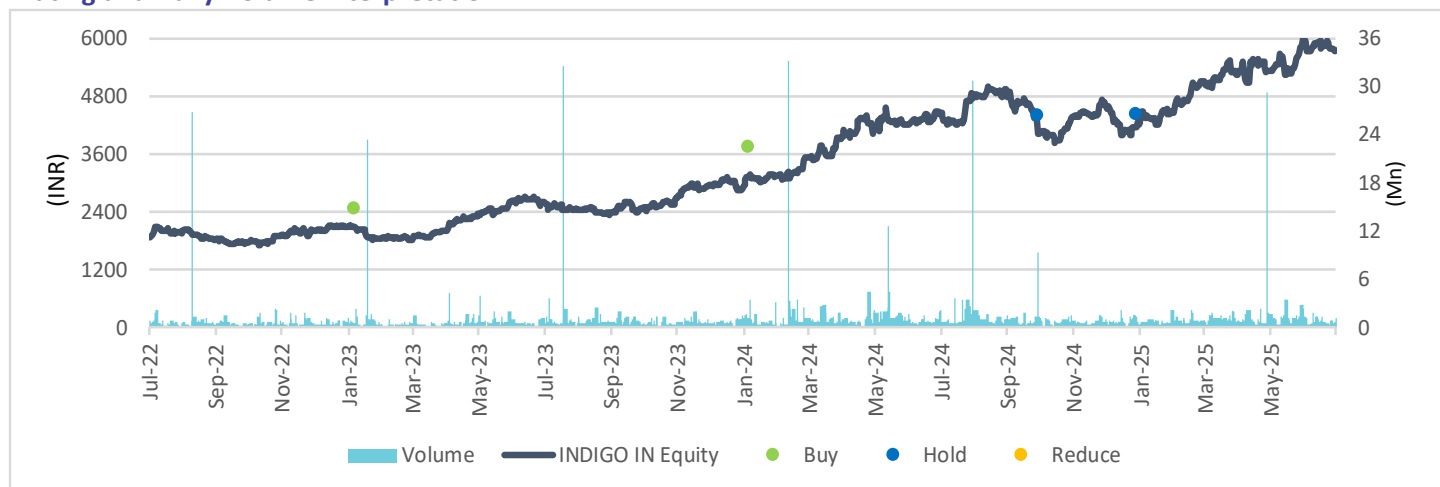
Recent Company Research

Date	Title	Price	Reco
22-May-25	Strong demand buoys Q4; Q1FY26 bleak; <i>Result Update</i>	5,461	Hold
19-Mar-25	Going global; international ASKM to rise; <i>Company Update</i>	4,980	Hold
25-Jan-25	Better yields, PLF drive beat; Q4 mixed; <i>Result Update</i>	4,066	Hold

Recent Sector Research

Date	Name of Co./Sector	Title
18-Jun-25	Aviation	Geopolitical headwind for Indian carrier; <i>Sector Update</i>
15-Jun-25	SpiceJet	Strong Q4; buckle up, turbulence ahead; <i>Result Update</i>
26-Feb-25	SpiceJet	Signs of improvement; recovery gradual; <i>Result Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	202
Hold	<15% and >-5%	66
Reduce	<-5%	36

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